

# Joint Legislative Budget Committee - Fiscal Year 2000 and 2001 Budget - Analysis and Recommendations

DEPT: Arizona Veteran's Service Commission  
 PROG: Veterans' Home

JLBC: Jeff Gossrow  
 House: Blewster

OSPB: Bob Chapko  
 Senate: Hamilton

DESCRIPTION	FY 1998 ACTUAL	FY 1999 ESTIMATE	FY 2000		FY 2001	
			OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	202.5	202.5	250.0	247.0	250.0	247.0
Personal Services	4,472,500	5,013,500	5,320,700	5,329,500	5,320,700	5,329,500
Employee Related Expenditures	1,185,500	1,295,300	1,401,500	1,460,200	1,450,800	1,439,200
All Other Operating Expenditures:						
Professional and Outside Services	1,540,100	0	1,256,400	943,600	1,256,400	943,600
Travel - In State	200	3,800	5,800	3,800	5,800	3,800
Travel - Out of State	1,800	2,200	2,200	2,200	2,200	2,200
Food	346,600	350,000	350,000	350,000	350,000	350,000
Other Operating Expenditures	1,445,200	1,372,700	1,184,400	1,182,400	1,184,400	1,182,400
Equipment	9,200	0	29,600	0	26,900	0
<b>PROGRAM TOTAL</b>	9,001,100	8,037,500	9,550,600	9,271,700	9,597,200	9,250,700

## BY FUND SOURCE

State Home for Veterans' Trust Fund	9,001,100	8,037,500	9,550,600	9,271,700	9,597,200	9,250,700
<b>TOTAL - ALL SOURCES</b>	9,001,100	8,037,500	9,550,600	9,271,700	9,597,200	9,250,700

**Program Description** — *The division operates and maintains a 200-bed skilled nursing home for Arizona veterans. The State Veterans' Nursing Home, located on the former Indian School land, opened during FY 1996.*

Change in Funding Summary	FY 1999 to FY 2000 JLBC		FY 2000 JLBC to FY 2001 JLBC	
	\$ Change	% Change	\$ Change	% Change
Other Appropriated Funds	\$1,234,200	15.6%	\$(21,000)	(0.1)%

## Recommended Changes from Prior Year

		<u>FY 2000</u>	<u>FY 2001</u>
Standard Changes			
Pay Annualization	OF	\$ 73,900	\$ -0-
ERE Rates	OF	(31,900)	(21,000)
Risk Management	OF	(190,300)	-0-

## General Fund Subsidy

Since its opening in November 1995, the Veterans' Home has required a General Fund subsidy to remain in operation. This subsidy has been needed due to problems the Home encountered during its first 3 years of operation. These problems included a patient census that lagged behind projections, and tracking and collecting accounts receivable. The Home's FY 1998 appropriation included \$1,000,000 from the General Fund to ensure that the Home remained solvent. The appropriation was made to the Arizona Department of Administration (ADOA) to increase the financial monitoring of the Home and was subsequently made non-lapsing until the end of FY 1999. The Veterans' Home has expended \$400,000 of this General Fund subsidy since the start of FY 1997. Since the Veterans' Home projected revenues will be sufficient

these remaining General Fund monies will not be needed. The JLBC recommends using the unexpended portion, \$600,000, to address problems in the Fiduciary Division. (See *Veterans' Services and Administration program for more discussion.*)

During the past 2 years, the Home has made progress in achieving self-sufficiency. The resident occupancy rate has remained above 90% since July 1997, and the Home improved its accounting system and collection of receivables. The Home is also taking other steps to improve its financial situation. In January, the Home will raise the daily room and board rates that are charged to its residents to reflect the true cost of care and inflation. The Home is also working to lower its temporary nursing staff costs. These costs totaled \$600,000 in FY 1998. (See *"Other Issues for Legislative Consideration"* for further information).

The Home's improved financial situation has lessened its need for a continued General Fund subsidy in FY 2000. However, the Home's efforts in collecting past due monies are inadequate. According to its most recent financial report, the Home still has over \$600,000 in accounts receivable that are over 120 days past due. The Home's

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ability to collect these debts will continue to diminish over time, unless the Home devotes more staff time to this issue and increases its efforts to work with the Attorney General's office to collect these unpaid monies. The JLBC is recommending an additional position at the Home to address this problem. (*See below.*)

### Operating Costs                      OF      1,365,700                      -0-

The JLBC recommends an increase of \$1,365,700 from the State Home for Veterans' Trust Fund for increased operating costs. These additional costs are due, in part, to temporary nursing staff costs. The recommended amount includes \$332,900 for additional registry expenses. The \$1,365,700 also includes \$640,700 for contracted institutional services, including physical and occupational therapy. Finally, the recommended amount also includes \$250,800 for Personal Services and \$141,300 for Employee Related Expenditures. The JLBC recommends continuing the FY 2000 amount in FY 2001.

The JLBC is recommending a supplemental appropriation in FY 1999, which includes an increase of 38.5 FTE Positions staff in order to comply with federally-mandated staffing guidelines for skilled nursing homes. The additional Personal Services and Employee Related Expenditures associated with the Veterans' Home FY 2000 costs are due to this FTE Position increase. The JLBC notes that we only account for Employee Related Expenditures associated with the FTE Position increase in FY 1999. The Home has experienced difficulty hiring Certified Nursing Assistants, and currently has hired more expensive contract nursing staff to comply with the federal staffing guidelines. The FTE Position increase recommended in the FY 1999 supplemental will satisfy this federal requirement; however, the costs for these additional staff will be reflected in the Professional and Outside Services line item. In FY 2000, the JLBC recommends shifting some of the Veterans' Home Professional and Outside Services line item to Personal Services in expectation that the Veterans' Home will reduce its registry costs by hiring full-time staff. The Executive concurs. (*For further information on the Veterans' Home increased operating expenditures and recommended FTE Position increase, please refer to the Other Issues for Legislative Consideration section below.*)

### Security Transport and

#### Financial Staff                      OF      16,800                      -0-

The JLBC recommends an increase of \$16,800 and 6 FTE Positions in FY 2000 to allow the Home to hire 5 security officers and 1 additional accountant. The Home currently has no security on staff, as the positions were eliminated in FY 1996 as a cost saving measure. The new accountant will be used to assist in the preparation of required cost reports and to assist the business manager in accounts receivable and accounts payable daily transactions. The recommended amount of \$16,800 is for Employee Related

Expenditures. The Home currently has adequate resources in its Personal Services base to pay for the additional employees. The JLBC recommends the same level of funding in FY 2001. The Executive recommends an increase of 6 FTE Positions and \$176,600.

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### JLBC Recommended Format — Lump Sum for the Program

### Other Issues for Legislative Consideration

#### FY 1999 Supplemental

The JLBC recommends an increase of \$1,365,700 from the Veterans' Trust Fund to allow the Home to hire 38.5 additional FTE Positions and for increased operating costs. The recommended amount includes \$107,900 for Employee Related Expenditures, and \$1,257,800 for Professional and Outside Services. The Veterans' Trust Fund contains all of the Home's revenues, including the room and board fees charged to the Home's private pay residents, and Medicare and ALTCS reimbursement.

The recommended amount will allow the State Veterans' Home to hire 38.5 additional FTE Positions. The new employees include 1 geriatric nurse, 10 geriatric licensed practical nurses, and 25.5 certified nursing assistants. The Home is requesting an increase in FTE Positions in order to comply with the federal government's mandated staffing guidelines for skilled nursing homes.

The amount recommended also includes \$617,100 for additional registry expenses and \$640,700 for contracted institutional services, including physical and occupational therapy. These additional expenses were not included in the Home's cost estimates for FY 1998 and FY 1999. In addition, the Home's contract nursing costs have exceeded budget projections due to the difficulty in hiring nursing staff. This was due, in part, to the problems the Veterans' Home encountered in commencing full operation and not having a complete accounting for all the costs associated with running a 200-bed skilled nursing facility. The Veterans' Home required a supplemental in FY 1998 to provide additional funding to pay for additional costs of the facility's operation.

The Veterans' Home is attempting to reduce its temporary nursing staff costs by implementing an in-house pool of certified nursing assistants. However, due to continued high demand for skilled nursing services in Maricopa County and higher wages that are available in the private sector, the Veterans' Home will continue to rely on contract, or registry, nursing staff to provide adequate care to its residents. Due to this problem, the JLBC is recommending an increase in FY 2000 for increased operating costs, which are described above. The Executive concurs.

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### Additional Medical Transport Staff & Deputy Director

The Executive recommends an increase of 3 FTE Positions and \$138,800 from the State Home for Veterans' Trust Fund. Two of these positions are Certified Nursing Assistants, who would provide transportation for residents to physician's offices and other medical facilities. The JLBC does not recommend this \$47,700 increase for these 2 positions, as we believe the Veterans' Home already has the necessary staff to carry out these responsibilities.

The third position is a new \$91,100 (including ERE) Deputy Director position. This position would have responsibility for operating the Veterans' Home and the Fiduciary Division. Funding for this position, however,

would come entirely from the Veterans' Home budget. The JLBC does not recommend this position for 3 reasons. First, General Fund monies are being recommended to the Fiduciary Division for an increase in the State Fiduciary's salary. This person currently oversees the Fiduciary Division. Second, it would be inappropriate to pay for this position entirely from the State Home for Veterans' Trust Fund since the person will have non-Veterans' Home responsibilities. Third, the JLBC believes the Veterans' Home management is adequately addressed by its Administrator position.

Performance Measures	FY 1997 Actual	FY 1998 Actual	FY 1999 Estimate	FY 2000 Estimate
Achieve "Excellent Performance" on the DHS' Quality Rating Certificate	Standard	Excellent	Excellent	Excellent
Achieve a 90% satisfactory rating on annual customer service survey	N/A	80%	85%	90%
Reduce nursing registry expenses 51.2% by end of FY 2000	\$669,756	\$683,000	\$617,100	\$332,900
Ensure that accounts payables are current (% of all residents 60+ days in arrears).	9.7%	5%	0%	0%
Convert from a manual to an electronic submission system for Medicare MDS data and Resource Utilization Groups by FY 1998	N/A	100%	100%	100%

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